

**COUNTY OF CHESTERFIELD, VIRGINIA**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2004**

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **none noted**
- (c) Material weakness in internal control was disclosed by the audit of the financial statements: **none**
- (d) Noncompliance which is material to the financial statements: **none noted**
- (e) Reportable conditions in internal control over major programs: **yes, finding 04-1**
- (f) Material weakness in internal control over major programs: **none**
- (g) The type of report issued on compliance for major programs: **unqualified opinion**
- (h) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **yes**
- (i) Major programs: **School Breakfast Program (CFDA Number 10.553), National School Lunch Program (CFDA Number 10.555), Community Development Block Grant – Entitlement Grants (CFDA Number 14.218), State Administrative Matching Grants for Food Stamp Program (CFDA Number 10.561), Special Education – Grants to States (CFDA Number 84.027), Special Education – Preschool Grants (CFDA Number 84.173), and Public Assistance Grants (CFDA Number 97.036)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,387,802**
- (k) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **yes**

**(2) Finding Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

**04-1 Allowable Costs**

Program – Public Assistance Grants – CFDA Number 97.036 – Department of Homeland Security  
– Federal Award Number FEMA –VA-DR1391

Condition – The process utilized by the County related to this program did not provide for a complete reconciliation of payroll costs that were submitted for reimbursement under the grant to the source documentation including timesheets. The absence of a detailed financial recording and reporting action plan related to this emergency at the County potentially caused the inadequate process utilized by the County.

## COUNTY OF CHESTERFIELD, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Criteria – Per OMB Circular A-87, personnel costs are required to be supported by after-the-fact distributions of the actual activities of each employee.

Effect – Non-compliance may result in the required return of a portion of the funding received for this program.

Questioned Cost – Total personnel costs charged to the grant approximated \$667,000; however, we were unable to determine a questioned cost as a result of a reconciliation of payroll costs submitted for reimbursement to source documentation not being completed by the County.

Recommendation – We recommend the County establish formal procedures for recording and reporting time worked under emergency disaster conditions and test these procedures to ensure adherence to OMB Circular A-87.

#### Views of Management:

##### Contact Person Responsible for Corrective Action

Karen Russell – Risk Management Director

##### Corrective Action Plan

The County has reviewed the labor for each Project Worksheet (PW) reimbursed with Federal funds to ensure that only allowable labor expenses are included and that it is supported by the required documentation. Based on this review of the \$667,000 labor cost charged to the grant an additional \$31,000 is due the County. Since the PWs have not been through the formal closing process with the Federal Emergency Management Agency (FEMA) the County will seek reimbursement for these additional funds through FEMA's normal process of finalizing allowable expenditures for reimbursement during closeouts. The County has included timesheets as supporting documentation in each PW that includes labor cost.

The County will develop procedures for recording and reporting cost related to emergency disasters, which will include tracking time. A process has already been put in place to ensure that timesheets are available to support all future labor submissions for Federal funds related to disaster recovery. The timesheets will be included in each labor related PW before final PW closure with FEMA.

Once the procedures are developed for recording and reporting cost related to emergency disasters, the procedures will become a part of the County's Disaster Recovery Plan. The procedures will be tested as part of the County's routine disaster exercises.

##### Anticipated Completion Date

Representatives from Emergency Management, Risk Management, and Accounting will work together to create procedures to ensure compliance for future labor submissions for Federal funds related to disaster recovery. The procedures will be in place by February 1, 2005.

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Year ended June 30, 2004

#### 04-2 Reporting

Program – Community Development Block Grants – Entitlement Grants – CFDA Number 14.218 – Department of Housing and Urban Development (HUD) – Federal Award Number B-03-UC510004

Condition – Certain information reported in the Integrated Disbursement and Information System (IDIS) to HUD does not agree to the general ledger.

Criteria – Drawdown reports submitted to HUD should be supported by and reconciled to the general ledger.

Effect – Non-compliance with reporting requirements may result in the required return of a portion of the funding received for this program.

Questioned Cost – Total expenditures per the IDIS exceeded the general ledger by \$54,603, however, we were unable to determine a questioned cost as a result of a reconciliation of IDIS to the general ledger not being completed by the County.

Recommendation – We recommend that the County reconcile the amounts in the IDIS and the general ledger periodically as the amounts should agree, perhaps with appropriate reconciling items.

Views of Management:

#### Contact Person Responsible for Corrective Action

Thomas Taylor, CDBG Director

#### Corrective Action Plan

The CDBG Department will reconcile the year-end expenditures for IDIS with the General Ledger.

#### Anticipated Completion Date

The anticipated completion date is January 5, 2005.

#### 04-3 Special Test and Provision

Program – Community Development Block Grants – Entitlement Grants – CFDA Number 14.218 – Department of Housing and Urban Development (HUD) – Federal Award Number B-03-UC510004

Condition – The County did not obtain HUD's approval of the Request for Release of Funds (RROF).

Criteria – CDBG funds (and local funds to be repaid with CDBG funds) cannot be obligated or expended before receipt of HUD's approval of a RROF and environmental certification.

**COUNTY OF CHESTERFIELD, VIRGINIA**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2004**

Effect – Non-compliance with HUD requirements may result in the required return of a portion of the funding received for this program.

Questioned Cost – None.

Recommendation – The County should emphasize procedures to ensure the RROF is approved by HUD prior to expenditure of CDBG funding.

Views of Management:

Contact Person Responsible for Corrective Action

Thomas Taylor, CDBG Director

Corrective Action Plan

The CDBG department will review the condition and create needed corrective procedures.

Anticipated Completion Date

The anticipated completion date is January 30, 2005.